

Background

Virginia Foreclosure Prevention Task Force

Purpose of the Task Force

To protect and preserve homeownership for Virginia's working families.

Why is the Task Force Needed?

Many of Virginia's working families are facing significant difficulty as mortgage rates adjust. The Task Force is being formed to bring mortgage industry representatives, housing consumer advocates, policy experts, and researchers together to make recommendations that will minimize the impact that foreclosures will have on Virginians and our economy. The goal is to have policies in place that will help Virginians before they are faced with foreclosure.

While Virginia's foreclosure rate of 0.7 percent is still low relative to other states—well below half the national rate of 1.7 percent in the third quarter of 2007—it again more than doubled from the third quarter of 2006. Foreclosures remain concentrated among subprime loans, continuing to make this market niche the greatest concern. In the third quarter of 2007, 9,200 Virginia homes were in foreclosure—5,900 of which involved subprime loans.

Data available indicate that many subprime adjustable rate mortgages have not yet reached the first adjustment period which typically triggers foreclosure, when families are not able to afford the higher interest rate. Therefore, analysts expect foreclosures to continue escalating.

Charge of the Task Force

The Task Force is charged with identifying ways to prevent the trauma of loss of home, related financial devastation, and family disruption. It will also look at possible negative impacts on communities as foreclosed homes depress property values and the real estate industry.

The task force will be chaired by Patrick Gottschalk, Secretary of Commerce and Trade (SOCT) and will work to:

1. Collect and analyze data to assess foreclosures in Virginia and determine level of homeownership preservation needs.
2. Identify and review financial and programmatic resources available to homeowners to minimize the number of foreclosures.
3. Recommend outreach, counseling, and educational programs and activities that focus on foreclosure prevention and support to homeowners.
4. Review existing Virginia laws and regulations and recommend appropriate revisions, including legislative actions, if needed.

Workgroups

Broad Charge:

1. Identify needed information.
2. Oversee the collection and analysis of pertinent data.
3. Identify priorities and outcomes.
4. Provide a range of ideas on critical issues and possible solutions.

Workgroup Participation – Task Force members will self-select one or more workgroups with which they may wish to participate.

Workgroup 1 - Foreclosure Impact

Chair: Bill Shelton, DHCD

Objective: Monitor the economic, fiscal, and social impacts of foreclosure to identify emerging issues.

Tasks: Assess the impact of foreclosures in Virginia, assess the impacts on families, neighborhoods and communities, and identify emerging issues.

- Monitor and analyze foreclosure patterns in Virginia.
- Examine impacts on Virginia mortgage and real estate industry.
- Monitor the fiscal impact on local governments.
- Utilize research and data to identify communities and neighborhoods being disproportionately impacted.
- Monitor and evaluate federal and other states' actions to address foreclosures.

Lead Staff: Virginia Department of Housing and Community Development

Meeting/Conference Call Frequency: Every two weeks or as necessary

Meetings Scheduled by: DHCD

Workgroup 2 – Education and Outreach**Chair: Susan Dewey, VHDA**

Objective: Reduce the number of homeowners impacted by foreclosure.

Tasks: Raise the knowledge and capacity of households in or at risk of foreclosure, enhance counseling efforts, promote best practices in loss mitigation, and increase financial literacy.

- Connection of borrowers to counseling and resources.
- Review of need for public service announcements/awareness campaign.
- Increase in the availability and sophistication of foreclosure counseling.
- Examination of workout and refinancing efforts to prevent foreclosure.
- Promotion of industry best practices to reduce the frequency and impact of foreclosure.
- Education of future homebuyers.

Lead Staff: Virginia Housing Development Authority

Meeting/Conference Call Frequency: Every two weeks or as necessary

Meetings Scheduled by: VHDA

Workgroup 3 – Regulatory Reform**Chair: Jay DeBoer, DPOR**

Objective: Prevent future foreclosure problems.

Tasks: Review existing laws and regulations relating to foreclosure, consumer protection, and predatory lending practices to determine any needed adjustments.

- Protection of consumers from foreclosure “rescue” scams.
- Prevention of common predatory practices.
- Guidelines for subprime and nontraditional mortgage products.
- Penalties for mortgage fraud and enforcement of existing laws.
- Foreclosure process in Virginia.

Lead Staff: Virginia Department of Professional and Occupational Regulation

Meeting/Conference Call Frequency: Every two weeks or as necessary

Meetings Scheduled by: DPOR

*Additional assistance will be provided to this work group by the State Corporation Commission, Bureau of Financial Institutions.v